

Message Text

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15

ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AID-05 CIAE-00 COME-00

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CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 5165

INFO AMEMBASSY BERN

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AMEMBASSY ROME

USMISSION EC BRUSSELS

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USMISSION OECD PARIS

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EO 11652: NA

TAGS: EFIN, AU

SUBJECT: FINANCE MINISTERS OF FRG, SWITZERLAND AND

AUSTRIA TO MEET IN VIENNA OVER WEEKEND

PASS TREASURY AND FRB

1. FINANCE MINISTERS OF FRG AND SWITZERLAND SCHEDULED TO MEET WITH AUSTRIAN FINANCE MINISTER ANDROSCH IN VIENNA OVER WEEKEND OF MARCH 21-22. WHILE SUCH MEETINGS HAVE BEEN HELD FROM TIME TO TIME TO EXCHANGE VIEWS ON ECONOMIC AND MONETARY DEVELOPMENTS, MAJOR TOPIC IN WEEK-END MEETING LIKELY TO BE REPORTED SWISS INTEREST IN JOINING EC MINI SNAKE. RUMORS CIRCULATING IN VIENNA THAT AUSTRIAN AUTHORITIES MIGHT CONSIDER FOLLOWING SWISS EXAMPLE IN CASE LATTER ACTUALLY JOINS SNAKE.

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2. THUS FAR, AUSTRIA HAS NOT BEEN PARTICIPATING

FORMALLY IN EC BLOC FLOAT. AUSTRIAN CURRENCY POLICY AIMED AT MAINTAINING FAIRLY STABLE EXCHANGE RATES VIS-A-VIS ITS MAJOR TRADING PARTNERS ON THE BASIS OF TRADE-WEIGHTED INDICATOR SYSTEM, IN WHICH GERMAN AND SWISS CURRENCIES HAVE BEEN DOMINANT.

3. ACCORDING TO LOCAL OBSERVERS, ANY AUSTRIAN PARTICIPATION IN "HARD CURRENCY BLOC" LIKELY TO INVOLVE SLIGHT DEPRECIATION OF AUSTRIAN SCHILLING, WHICH HAD BEEN REVALUED FOUR TIMES IN PAST FOUR YEARS. IN WAKE OF LESSENING OF FOREIGN DEMAND FOR AUSTRIA'S EXPORTS ESPECIALLY TO EC AND DOLLAR AREA IN RECENT MONTHS, AUSTRIAN SCHILLING REGARDED AS SOMEWHAT OVERVALUED. POSSIBLE CLOSER CURRENCY TIES BETWEEN, SWITZERLAND AND EC FLOATING BLOC WOULD MEET THE INTERESTS OF AUSTRIAN EXPORT INDUSTRY AND TOURIST SECTOR.

4. ACCORDING TO VIENNA EXCHANGE DEALERS, HOWEVER, MARKETS THURSDAY MORNING (MARCH 20) DID NOT INDICATE A FORTHCOMING CHANGE OF EXCHANGE RATE RELATIONSHIPS OF SCHILLINGS VIS-A-VIS SWISS FRANCS, US DOLLAR OR OTHER MAJOR CURRENCIES. DEALERS CONSIDER IT DOUBTFUL THAT AUSTRIA WOULD GIVE UP AUTONOMOUS FLOAT PRACTICED THUS FAR. MOWINCKEL

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